

## Message Text

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PAGE 01 CANBER 00180 100701Z

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-15 AID-05 EB-07

NSC-05 CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06

LAB-04 SIL-01 AGRE-00 IO-13 /115 W

-----100704Z 120321 /10

R 100602Z JAN 77

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 9612

INFO AMCONSUL BRISBANE

AMCONSUL MELBOURNE

USMISSION OECD PARIS

AMCONSUL PERTH

AMCONSUL SYDNEY

AMEMBASSY WELLINGTON

UNCLAS CANBERRA 0180

EO 11652: NA

TAGS: EGEN, EFIN, EALR, AS

SUBJ: DEVELOPMENTS RESPECTING UNEMPLOYMENT AND RESTRICTION  
OF BANK LENDING

REF: A. 76 CANBERRA 9177, B. 76 CANBERRA 9124, C. 76 CANBERRA  
8781 (NOTAL), D. 76 CANBERRA 8103

1. DECEMBER UNEMPLOYMENT DATA RELEASED JANUARY 7 SHOW  
INCREASE IN EMPLOYMENT TO 5.4 PERCENT OF LABOR FORCE.  
SIMULTANEOUSLY, RESERVE BANK INCREASED STATUTORY RESERVE  
DEPOSIT RATIO FROM 7 PERCENT TO 8 PERCENT, EFFECTIVE JAN-  
UARY 18, IN FURTHER MOVE TO SOAK UP EXCESS LIQUIDITY FOL-  
LOWING INFLOW OF FOREIGN CAPITAL IN WAKE OF NOVEMBER AUST  
DOLLAR DEVALUATION.

2. DECEMBER TOTAL OF REGISTERED UNEMPLOYED IS HIGHEST  
SINCE JANUARY 1976 WHEN FIGURE WAS 344,000, REPRESENTING  
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PAGE 02 CANBER 00180 100701Z

5.66 PCT OF ESTIMATED LABOR FORCE. SHARP SEASONAL INCREASE IS  
NORMAL IN DECEMBER, FOLLOWING ADDITION OF SCHOOL GRADUATES  
TO LABOR FORCE AT END OF SCHOOL YEAR. NOVEMBER TO DECEMBER  
INCREASE IN 1976 APPROXIMATELY 25 PCT HIGHER THAN COMPAR-  
ABLE 1976 INCREASE.

3. GOA CONTENDS DECEMBER RESULTS SHOW UNDERLYING TREND TO BE

"VIRTUAL STABILITY" AFTER ALLOWANCE FOR NORMAL SEASONAL MOVEMENT, AND PROJECTS FURTHER INCREASES IN COMING TWO OR THREE MONTHS FOLLOWED BY DOWNTREND IN UNEMPLOYMENT AS AUSTRALIAN INDUSTRY RESPONDS TO DEVALUATION EFFECTS.

4. GOA CONTENTION RE DECEMBER RESULTS SEEMS BROADLY DEFENSIBLE, ALTHOUGH THERE IS ROOM FOR CONTROVERSY OVER PRECISE MEASUREMENT OF INCREASE RESULTING FROM DECISION TO WITHHOLD UNEMPLOYMENT BENEFITS FROM SCHOOL LEAVERS FOR DURATION OF SUMMER VACATION SEASON. OPPONENTS CONTEND THIS POLICY DISCOURAGED PROMPT UNEMPLOYMENT REGISTRATION BY SCHOOL LEAVERS, THEREBY DEPRESSING DECEMBER TOTAL OF REGISTERED UNEMPLOYMENT. THERE IS PROBABLY SOME MERIT IN THIS CONTENTION. THE INCREASE IN SCHOOL LEAVER REGISTRATION IN NOVEMBER AND DECEMBER THIS YEAR IS SUBSTANTIALLY LOWER THAN THE INCREASE IN THE COMPARABLE PERIOD OF 1975. FOR THIS REASON, IT IS CONCEIVABLE THAT THE FULL IMPACT IF SCHOOL LEAVERS HAD REGISTERED PROMPTLY IN DECEMBER MIGHT HAVE CAUSED UNEMPLOYMENT PERCENTAGE FIGURE TO EQUAL OR EXCEED THE 5.66 LEVEL OF JANUARY 1976. THIS MARGINAL UNCERTAINTY ASIDE, HOWEVER, THE LATEST DATA SEEM TO JUSTIFY GOA CONTENTION THAT AFTER ALLOWANCE FOR SEASONAL FACTORS, THE LATEST INCREASE IS MODERATE. TIME WILL TELL WHETHER THE GOA OPTIMISM CONCERNING A REVERSAL OF THIS TREND IN MID-1977 IS EQUALLY JUSTIFIED.

5. THE RESERVE BANK INCREASE IN THE MAJOR TRADING BANKS' STATUTORY RESERVE DEPOSIT RATION OF 8 PCT REPRESENTS THE THIRD SUCCESSIVE INCREASE IN THE PAST THREE MONTHS. THE RATE WAS RAISED FROM 5 TO 6 PCT EFFECTIVE 16 NOVEMBER AS PART

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PAGE 03 CANBER 00180 100701Z

OF THE AUSTERITY PACKAGE ADOPTED BY THE CABINET EARLY IN NOVEMBER (76 CANBERRA 8103). SUBSEQUENTLY, THE RATE WAS RAISED FROM 6 TO 7 PCT EFFECTIVE DECEMBER 30 (76 CANBERRA 9177). THE AGGREGATE EFFECT OF THESE THREE ONE PCT INCREASES HAS BEEN TO FREEZE AN ADDITIONAL DOLS AUST 500 MILLION OF TRADING BANK FUNDS SINCE EARLY NOVEMBER IN AN EFFORT TO TIGHTEN BANK LIQUIDITY.

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## Message Attributes

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**Channel Indicators:** n/a  
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**Reference:** 76 CANBERRA 9177, 76 CANBERRA 9124, 76 CANBERRA 76  
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**Subject:** DEVELOPMENTS RESPECTING UNEMPLOYMENT AND RESTRICTION OF BANK LENDING  
**TAGS:** EGEN, EFIN, EALR, AS  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009